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O 200955Z JAN 06  
FM AMEMBASSY MAPUTO  
TO RUEHC/SECSTATE WASHDC IMMEDIATE 4868  
INFO RUEHOR/AMEMBASSY GABORONE PRIORITY 1550  
RUEHSA/AMEMBASSY PRETORIA PRIORITY 5294  
RUEH DU/AMCONSUL DURBAN PRIORITY 0166  
RUEHJO/AMCONSUL JOHANNESBURG PRIORITY 0652  
RUCPDO C/DEPT OF COMMERCE WASHDC PRIORITY

UNCLAS SECTION 01 OF 06 MAPUTO 000097

SIPDIS

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DEPT FOR EB/EBA - DWINSTEAD, AF/S - HTREGER, AF/EPS  
COMMERCE FOR RTELCHIN  
PRETORIA FOR FAS:RBICKFORD  
GABORONE FOR TRADE HUB:AHILLEGAS  
JOHANNESBURG FOR FCS RDONOVAN  
DURBAN FOR FCS LKOHRS

E.O. 12958: N/A  
TAGS: [BEXP](#) [BTIO](#) [ECON](#) [ETRD](#) [AMGT](#) [EINV](#) [ABUD](#) [MZ](#)  
SUBJECT: EMBASSY MAPUTO'S FY06 BFIF PROPOSAL

REF: 05 STATE 215954

¶1. Post requests funding in the amount of USD 27,882 under the Business Facilitation Incentive Fund (BFIF) for FY06.

¶2. In order of priority, we propose the following two projects for FY06:

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Project 1: Commercial Outreach, AGOA Promotion and U.S. Export Market Development  
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¶A. Justification.

Commercial outreach, including conveying information about trade possibilities under AGOA and opportunities for US exports to Mozambique, is critical to strong US participation in Mozambique's economic growth. Mozambique's large size (twice as big as Texas) and primitive transport infrastructure mean that business promotion activities conducted in the capital city, Maputo - which is located in the far southern corner of the country - reach only a very limited national audience. For would-be business partners in other parts of the country to benefit from US commercial programs, these programs must be advertised and promoted by commercial outreach activities conducted within their communities.

Conducting commercial outreach in the regions now is particularly timely. The Millennium Challenge Corporation (MCC) is in the latter stages of negotiating a compact with Mozambique, with a formal signing expected this fall. However, MCC investment, some of it directed specifically toward improving the business environment, will be only in northernmost provinces. In the west, in Tete province, a giant Brazilian consortium is beginning a massive program to exploit rich coal deposits in the region - and ancillary business opportunities are sure to follow. Further south in Manica province, along the frontier with Zimbabwe, over the past several years hundreds of former Zimbabwean farmers have resettled in this rich agricultural area and are anxious for support and investment as they struggle to establish themselves.

This project proposal corresponds with Post's MPP goal of promoting economic growth and development - namely, to

improve the business and investment climate; encourage mechanisms that build Mozambique's competitiveness and trade capacity and help U.S. investors and exporters; and to promote rural income growth. The outreach program also builds off the BFIF-supported Entrepreneurship Forum held by Post and the Global Competitiveness Trade Hub in March 2005 (with help from USDOC, USAID and USDA) and supports both the Hub's and USDA's continuing program initiatives.

#### B. Planning Milestones.

##### Program Approach/Content:

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This project has a three-pronged approach, to be implemented in two phases: 1) Investment Concerns, 2) AGOA Education and 3) U.S. Export-Market Expansion.

##### Phase One:

Post will conduct the following proposed program in Maputo city, Maputo province. The program will be both developed and implemented with input from and coordination with USDA and the Trade Hub. (Note: USDA and the Hub will pay for the airfare, lodging and per diem of their representative to participate in this phase. End note.)

i. Day One: Investment Concerns. Econ/Pol Officer, Econ/Pol FSN and USDA and/or Hub representatives, will meet with U.S. businesses located in the province to discuss investment concerns and opportunities and, time permitting, visit investment sites.

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\* Missing Section 002 \*  
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States. Post also anticipates increased knowledge regarding U.S. import requirements and important contact information for more detailed information.

##### U.S. Export Market Expansion:

Post expects that local officials, businessmen, prospective entrepreneurs, companies, farmers and related associations will learn the importance of a positive business and investment climate. Post,s exposure to each province and potential investment and export opportunities outside of Maputo will enhance Post,s involvement with USG agencies and prospective investors/exporters in promoting U.S. business throughout Mozambique.

##### Performance Metrics:

- i. Share of Foreign Direct Investment in the Economy
- ii. Exports as a Share of GDP
- iii. AGOA and other U.S.-assisted Exports to the U.S.
- iv. Average Rural Income Per Capita
- v. Policy Reforms Approved
- vi. Policy Reforms Implemented/Procedures Improved (e.g. Number of Days to Start a Business)
- vii. Demand for Business Development Assistance Services

Note: Many of these metrics are also outlined in Post,s MPP, enabling project outcomes to be included in the Post,s, as well as EB,s, performance evaluation.

#### D. Estimated Costs.

The estimated cost for the Commercial Outreach, AGOA

Promotion and U.S. Export Market Development Program is USD  
123206.

i. Johannesburg/Pretoria Consultation Travel (2 persons, 4 days/3 nights)

Total Cost: USD 2696

- a. USD 1000/Round-trip Airfare
- b. USD 1396/Per diem (Lodging & MI&E)
- c. USD 300/Transportation (taxi)

ii. Maputo Province (2 days)

Total Cost: USD 1200

- a. USD 600/Conference Room
- b. USD 600/Translator

iii. Gaza/Inhambane Provinces (2 persons, 6 days/5 nights)

Total Cost: USD 4976

- a. USD 1140/Round-trip Airfare
- b. USD 2396/Per diem (Lodging & M&IE)
- c. USD 840/Car rental
- d. USD 600/Conference Room

iv. Sofala/Manica Provinces (2 persons, 6 days/5 nights)

Total Cost: USD 5186

- a. USD 1350/Round-trip Airfare:
- b. USD 2396/Per diem (Lodging & M&IE)
- c. USD 840/Car rental
- d. USD 600/Conference Room

v. Tete/Nampula/Cabo Delgado Provinces (2 persons, 10 days/9 nights)

Total Cost: USD 9148

- a. USD 2660/Round-trip Airfare
- b. USD 4188/Per diem (Lodging & M&IE)
- c. USD 1400/Car rental
- d. USD 900/Conference Room

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E. Post,s Point-of-Contact.

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F. Leveraging Funding.

Post reviewed possibilities for leveraging funding from other agencies. Post spoke with both USDA and the Trade Hub, who agreed to pay for their respective transport, lodging and per diem for travel to Maputo to plan and implement the Maputo program (Phase One). Post will then build off of this program, coordinating with USDA and the Trade Hub, to deliver province-tailored programs through Phase Two. In this regard, USDA has indicated it may be able to fund the USDA regional representative accompanying the Econ/Pol Officer and FSN during one or more provincial trips.

G. Outcome/Success Criteria.

This outreach project will succeed, in one respect, if it can demonstrate how it prompted U.S. investors in Mozambique renew or increase their business efforts here. Likewise, the

project will be successful if Post is able to provide more specific, guided assistance to an increased number of potential U.S. investors and/or exporters. Success will also be demonstrated by the GRM's continued investment-friendly reforms of commercial, labor, and financial policies, as well as by the Mozambican investor/entrepreneur's increased knowledge of AGOA, increased export of product to the United States and increased ability to understand and navigate U.S. import requirements.

#### H. Follow-Up Strategy.

Post will continue regular contact with contacts in each province: to provide them with the most recent US trade policy guidance, to assess the provincial business environments for US businesses, and encourage greater investment and trade. In addition, Post will follow-up with the GRM, as well as new contacts made on the provincial level, to support business-friendly commercial, legal and labor reforms/implementation.

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Project 2: Agricultural Seminar: Moving Beyond Sustenance  
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#### A. Justification.

Mozambique has still predominantly an agrarian economy - more than 75% of its 19 million people rely on agriculture to survive. Commercial agriculture (as opposed to subsistence agriculture) is only partially developed and still offers enormous potential. As Mozambique improves its business environment, there will be increased synergy between agriculture and commercial investment. The US Department of Agriculture and USAID are heavily involved in encouraging the growth of commercial agriculture in Mozambique and Post is committed to supporting this effort. Commercial agriculture provides the opportunity to increase Mozambican exports while increasing potential American investment and trade opportunities - from horticulture to John Deere. In addition, this project will build on momentum created by the Development Credit Authority's (USAID-managed) partnership with the Commercial Bank of Mozambique (BCI) to guarantee agricultural loans to agribusiness.

The target group for this seminar would be ex-Zimbabwean and local entrepreneurial farmers and/or agri-businesspeople, working on small to medium-size operations in Manica province. This area of the country is especially fertile and supports a wide variety of fruit and vegetable crops. The ex-Zimbabwean farmers are struggling to establish themselves in Mozambique, despite open support from national and local officials in the province, and would be very receptive to outside advice and support. Agricultural experts from USDA, USAID, and a local branch of

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the US NGO Technoserve, as well as the Trade Hub, and will cover the following topics: Financing Agribusiness Operations; Emerging Crop Opportunities for the Small to Medium Operations; Fair-Trade Exporting; How to Get Certified; Importing to the US - Phytosanitary Regulations and Beyond; Specialty Foods and Niche Marketing; and Buying from the U.S.- What America has to Offer the Commercial Farm Operation. (Note: If USDA and/or the Hub are able to participate, they will pay for their representatives, travel, lodging and per diem. End note.)

#### B. Planning Milestones.

Planned as a one-day seminar in the Manica provincial capital of Chimoio, the tentative date is currently August 21, in advance of the 2006-2007 agricultural season. In addition to the seminar format, with the topics listed above, the project

envisions having tables with brochures offering information on American agricultural-related products available for import by Mozambican farmer/agri-business operation.

i. Late June: Finalize and confirm program agenda and contact presenters; work with FAS, USDA and Trade Hub to arrange product information for expo-tables; work with PAO to create information/contact pamphlets for distribution to participants.

ii. Early July: Draft participant invitations (for specified participants); draft public announcement in conjunction with PAO; secure forum location; contract translation services and confirm presenter/moderator participation.

iii. Late July: Send out invitations and begin publicizing event (with RSVP request); secure U.S. product pamphlets, samples and other information for expo-tables; secure information pamphlets for distribution.

iv. Early August: Confirm number of participants, draft opening speech to be given by Ambassador/CDA.

v. Mid-August: Re-confirm program agenda and presenters; confirm forum location and translation services.

vi. August 21: Conduct Agricultural Seminar.

#### 1C. Performance Metrics/Anticipated Outcomes.

Post anticipates that this seminar will provide farmers and agro-businesspeople not only with important fundamental trade regulation information and greater knowledge of financial and technical assistance available to them from the USG in Mozambique, but also with the contacts to obtain more details and support. In time, Post anticipates improved agricultural production, more exports, and more demand for US-sourced products.

##### Performance Metrics:

- i. Agricultural Exports as a Share of GDP from Manica Province
- ii. AGOA and other U.S.-assisted Exports to the U.S. (agricultural products) from Manica Province
- iii. Average Rural Income Per Capita for Manica Province
- iv. Requests for Assistance in Obtaining U.S.-sourced products and/or for Business Development Assistance Services

Note - These metrics are components of metrics also outlined in Post,s MPP, enabling project outcomes to be included in the Post,s, as well as EB,s, performance evaluation.

#### 1D. Estimated Costs.

The estimated cost for the Chimoio Agricultural Seminar is USD 4676 (4 persons, 2 days/1 night).

##### i. Travel, Per Diem & Transportation

- a. USD 2300/Round-trip Airfare
- b. USD 1196/Per diem (Lodging & MI&E)
- c. USD 280/Car Rental

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##### ii. Seminar Expenses

- a. USD 300/Interpreter
- b. USD 300/Information Pamphlets
- c. USD 300/Conference Room

#### 1E. Post,s Point-of-Contact.

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F. Leveraging Funding.

Post has not yet coordinated funding with other Bureaus or U.S. Agencies; however it plans to approach other agencies with interest in this topic to seek their participation, which they will then fund. In addition, Post has discussed this project proposal with USAID and will create the seminar agenda in conjunction with USAID, USDA and the Hub.

G. Outcome/Success Criteria.

This seminar will prove successful if farmers, potential entrepreneurs and agri-business businesspeople utilize the financial and technical assistance resources made available to them. In addition, the seminar will be successful if it harnesses the growing energy around agri-business in Mozambique, creating increased interest in agricultural investment and emerging areas (e.g. bio-fuels and specialty foods).

H. Follow-Up Strategy.

Post will work with USAID and USAID-supported NGOs to continue to support agri-business projects in Mozambique. In addition, Post will keep the agri-business community informed of AGOA opportunities, as well as emerging agricultural products with export potential.  
Dudley